

AMENDED IN ASSEMBLY APRIL 13, 2010

CALIFORNIA LEGISLATURE—2009–10 REGULAR SESSION

ASSEMBLY BILL

No. 2641

**Introduced by Assembly Member Arambula
(Coauthor: Assembly Member Solorio)**

February 19, 2010

~~An act to amend Section 13305 of the Government Code, relating to state government. An act to add Section 41 to the Revenue and Taxation Code, relating to taxation.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 2641, as amended, Arambula. ~~State government: Department of Finance: reporting requirements: tax expenditures. Tax expenditures.~~

Existing laws imposes various taxes and allows specified credits, deductions, exclusions, and exemptions in computing those taxes. Existing law requires the Department of Finance to provide an annual report to the Legislature on tax expenditures by no later than September 15 of each year, and requires that annual report to include, among other things, a comprehensive list of tax expenditures exceeding \$5,000,000 in annual cost.

This bill would ~~modify that reporting requirement to instead require the annual report to include a comprehensive list of tax expenditures exceeding \$2,500,000 in annual cost.~~ *require the Legislature, on and after January 1, 2014, to review each "tax expenditure subject to limitation" and each "tax expenditure not subject to limitation", as defined, for the purpose of ensuring that only tax expenditures with a measurable benefit are provided by the state. The bill would require the Legislature, based on the information from the review, to assess whether each tax expenditure not subject to limitation meets stated*

objectives and for each not meeting its objectives, to restrict or eliminate that tax expenditure not subject to limitation in accordance with specified procedures. The bill would specify that each tax expenditure subject to limitation shall cease to be operative and shall be repealed on January 1, 2015, and on January 1 of every 5th year thereafter.

Vote: majority. Appropriation: no. Fiscal committee: yes.

State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 41 is added to the Revenue and Taxation
2 Code, to read:

3 41. (a) On and before January 1, 2014, and every fifth year
4 thereafter, notwithstanding any other law, the Legislature shall
5 review each tax expenditure subject to limitation and each tax
6 expenditure not subject to limitation, for the purpose of ensuring
7 that only tax expenditures with a measurable benefit are provided
8 by the state. The review shall include, but not be limited to, all of
9 the information required pursuant to subdivision (a) of Section
10 13305 of the Government Code, except that the list required
11 pursuant to paragraph (1) of subdivision (a) of Section 13305 shall
12 be provided for all tax expenditures, regardless of the annual cost
13 of the tax expenditure.

14 (b) (1) Based on the information contained in the review, the
15 Legislature shall assess whether each tax expenditure not subject
16 to limitation meets the objectives provided in the statute adding
17 or amending that tax expenditure and provides a measurable
18 benefit.

19 (2) For each tax expenditure not subject to limitation that fails
20 to meet the objectives provided, the Legislature shall determine
21 whether to restrict or eliminate that tax expenditure not subject to
22 limitation.

23 (3) If the Legislature chooses to restrict or eliminate a tax
24 expenditure not subject to limitation pursuant to paragraph (2),
25 it shall do so by enacting a statute in which any expected revenue
26 increase resulting from that restriction or elimination is offset by
27 another tax expenditure or multiple tax expenditures of an amount
28 equal to or greater than the expected tax increase resulting from
29 that tax expenditure not subject to limitation, so as to ensure that
30 the statute is revenue neutral.

1 (c) Each tax expenditure subject to limitation shall cease to be
2 operative and shall be repealed on January 1, 2015, and on
3 January 1 of every fifth year thereafter, unless a later enacted
4 statute that is enacted before that date deletes or extends the date
5 on which it becomes inoperative and is repealed.

6 (d) For purposes of this section, the following definitions apply:

7 (1) "Tax expenditure subject to limitation" means any credit,
8 deduction, exclusion, exemption, or any other tax benefit provided
9 by the state that is enacted on or after the effective date of this
10 section.

11 (2) "Tax expenditure not subject to limitation" means any credit,
12 deduction, exclusion, exemption, or any other tax benefit provided
13 by the state that was enacted prior to the effective date of this
14 section.

15 ~~SECTION 1. Section 13305 of the Government Code is~~
16 ~~amended to read:~~

17 ~~13305. (a) The department shall provide an annual report to~~
18 ~~the Legislature on tax expenditures by no later than September 15~~
19 ~~of each year. The report shall include each of the following:~~

20 ~~(1) A comprehensive list of tax expenditures exceeding two~~
21 ~~million five hundred thousand dollars (\$2,500,000) in annual cost.~~

22 ~~(2) The statutory authority for each credit, deduction, exclusion,~~
23 ~~exemption, or any other tax benefit as provided by state law.~~

24 ~~(3) A description of the legislative intent for each tax~~
25 ~~expenditure, if the act adding or amending the expenditure contains~~
26 ~~legislative findings and declarations of that intent, or that legislative~~
27 ~~intent is otherwise expressed or specified by that act.~~

28 ~~(4) The sunset date of each credit, deduction, exclusion,~~
29 ~~exemption, or any other tax benefit as provided by state law, if~~
30 ~~applicable.~~

31 ~~(5) A brief description of the beneficiaries of the credit,~~
32 ~~deduction, exclusion, exemption, or other tax benefit as provided~~
33 ~~by state law.~~

34 ~~(6) An estimate or range of estimates for the state and local~~
35 ~~revenue loss for the current fiscal year and the two subsequent~~
36 ~~fiscal years. For sales and use tax expenditures, this would include~~
37 ~~partial year exemptions and all other tax expenditures when the~~
38 ~~State Board of Equalization has obtained that information.~~

1 ~~(7) For personal income tax expenditures, the number of~~
2 ~~taxpayers affected and returns filed, as applicable, for the most~~
3 ~~recent tax year for which full year data is available.~~

4 ~~(8) For corporation tax and sales and use tax expenditures, the~~
5 ~~number of returns filed or business entities affected, as applicable,~~
6 ~~for the most recent tax year for which full year data is available.~~

7 ~~(9) A listing of any comparable federal tax benefit, if any.~~

8 ~~(10) A description of any tax expenditure evaluation or~~
9 ~~compilation of information completed by any state agency since~~
10 ~~the last report made under this section.~~

11 ~~(b) For purposes of this section, “tax expenditure” means a~~
12 ~~credit, deduction, exclusion, exemption, or any other tax benefit~~
13 ~~as provided for by the state.~~

14 ~~(c) This section shall become operative on January 1, 2007.~~